

ECONOMY OF FOUNTAIN HILLS



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ECONOMY OF FOUNTAIN HILLS (ZIP CODES 85268 AND 85269)

Seasonal residents and in-migrating retirees help drive the Fountain Hills economy, but for the most part the town's economy is dependent on the economy of the Phoenix urbanized area. Retail trade provides the most employment of any sector in Fountain Hills.

Zip codes 85268 and 85269 are used as an approximation for Fountain Hills and include a small piece of Scottsdale and some unincorporated area. The 21-square-mile land area of the zip codes is slightly larger than the 18.2 square miles of the town. The 2000 decennial census count of 20,268 residents in the zip codes was marginally higher than the town's population of 20,235. The 2004 population of Fountain Hills, as defined by these zip codes, is estimated at 22,604.

THE ECONOMY IN 2004

Total Employment

Total employment in Fountain Hills is estimated to have been approximately 5,325 in 2004. Total employment was only 236 per 1,000 residents — 45 to 51 percent less than the national and Arizona averages, and considerably below the median value of 83 incorporated cities and towns in Arizona.

The below-average figure results from the large number of Fountain Hills residents who commuted to work in other communities. The number of jobs located in Fountain Hills (in 2001) was less than half the 9,875 employed Fountain Hills residents counted in the 2000 census.

Agriculture and Government

Agriculture largely is a basic activity that includes agricultural support activities as well as farming and ranching. Agriculture employment in the Fountain Hills zip codes in 2004 is estimated to have been about 50. Agriculture's employment per capita was approximately 65 percent less than the national and state averages.

The government sector represents a mix of basic and nonbasic activities. Most federal government employment (both civilian and military) is basic to both the community and the state. State government employment may be basic to the community, but is it not basic to the state. Similarly, county government and community college employment may be basic to the community (for example, a portion of the employment at the county seat is basic in that some workers serve other communities in the county), but not to the county or the state. Other local government — municipal, tribal, school district and special district — only rarely is basic to a community.

Government employed approximately 550 in Fountain Hills in 2004. Government employment per 1,000 residents was only 24 in Fountain Hills — 66 to 70 percent less than the state and national averages.

The Fountain Hills Unified School District employed nearly 60 percent of the government workers. The city of Fountain Hills employed about 100. Both were among the community's larger employers.

Nonagriculture Private-Sector Economy

Nonagriculture private-sector employment in Fountain Hills was approximately 4,725 in 2004. Employment was only 209 per 1,000 residents — 40 to 47 percent less than the national and state averages.

Employment estimates for 2004 for the broad sectors of the Fountain Hills economy are shown in Table 1. Retail trade provided the most employment, followed by construction and accommodation and food services. Per capita employment was above the national average in the arts, entertainment and recreation, and construction sectors: (see the “location quotient relative to nation” column of the table). Construction employment was considerably more than if the sector’s per capita employment had been equal to the national per capita average (see the “excess employment relative to nation” column of the table). The excess in arts, entertainment and recreation was not as high.

Fountain Hills had little per capita employment in the largely basic sectors: agriculture, mining, manufacturing, wholesale trade, and transportation and warehousing. Tourism had a limited presence in Fountain Hills. For example, per capita employment in the accommodation subsector was only a third of the national average. More generally, the location quotient was less than 0.5 in 13 of the 20 sectors.

More sectorally detailed data show that 13 industries provided excess employment of at least 50 in Fountain Hills in 2004, only one of which has at least a moderate basic component (see Table 2). The golf courses and country clubs, and fitness and recreational sports centers industries accounted for the excess employment in the arts, entertainment and recreation sector. An establishment in each industry employed between 100 and 249 in 2004 according to the Census Bureau, among the community’s larger employers. A portion of this activity is basic due to tourists and seasonal residents as customers.

Five of the industries in Table 2 are in the construction sector, which had a small basic component due to sales to seasonal residents and in-migrating retirees. Fountain Hills had above average proportions of both seasonal residents and senior citizens according to the 2000 census. An establishment in the highway, street and bridge construction industry was the largest private-sector employer with between 250 and 499 employees.

The remaining industries in Table 2 primarily serve the local population. Four are in the retail trade sector. A discount department store and two supermarkets each employed between 100 and 249. An establishment providing educational support services also was of this size.

Seasonal residents and in-migrating retirees help drive the Fountain Hills economy. However, Fountain Hills is largely dependent on the economy of the broader urbanized area.

Fountain Hills v. Comparison Cities

Employment per 1,000 residents in Fountain Hills in 2004 was 48 percent less than the regional average. In the nonagriculture private sector, employment per 1,000 residents was 46 percent less than the regional average, but ranked in the middle of the 33 geographic areas in the Central region (see Table 3).

Average nonfarm private-sector payroll per employee in Fountain Hills in 2004 was only \$24,900 — 31 percent less than the national average, 22 percent less than the Arizona average, and 27 percent less than the regional average. Fountain Hills’s figure was below the median of the region’s 33 areas.

TABLE 1
WAGE AND SALARY EMPLOYMENT BY SECTOR
Fountain Hills (Zip Codes 85268 and 85269), 2004

Sector	Number of Establishments Employment		Relative to Nation		Relative to Arizona	
			Location Quotient	Excess Employment	Location Quotient	Excess Employment
TOTAL	684	5,330	0.49	0	0.55	0
AGRICULTURE	4	49	0.35	0	0.36	0
GOVERNMENT	5	551	0.30	0	0.34	0
TOTAL, NONAGRICULTURE PRIVATE SECTOR	675	4,730	0.53	0	0.60	0
Mining	1	2	0.05	0	0.05	0
Utilities	2	14	0.29	0	0.36	0
Construction	112	984	1.92	472	1.38	269
Manufacturing	17	98	0.09	0	0.15	0
Wholesale Trade	36	85	0.19	0	0.24	0
Retail Trade	74	1,011	0.86	0	0.88	0
Transportation and Warehousing	2	15	0.05	0	0.05	0
Information	9	43	0.16	0	0.22	0
Finance and Insurance	47	172	0.34	0	0.37	0
Real Estate and Rental and Leasing	55	150	0.93	0	0.88	0
Professional, Scientific and Technical Services	105	180	0.31	0	0.40	0
Management of Companies and Enterprises	1	2	0.01	0	0.01	0
Administrative, Support, Waste Management, Remediation Services	54	317	0.47	0	0.42	0
Educational Services	6	184	0.82	0	1.32	44
Health Care and Social Assistance	35	250	0.21	0	0.27	0
Arts, Entertainment and Recreation	10	399	2.74	253	2.40	232
Accommodation and Food Services	49	599	0.72	0	0.69	0
Other Services (except public administration)	58	226	0.54	0	0.72	0
Unclassified Establishments	2	1	0.33	0	0.54	0

Source: Nonagriculture private sector estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2004*. Agricultural production employees, most government employees, railroad employees, self-employed individuals and employees of private households are not included in this data source. The agriculture and government sectors are estimated — see Chapter I for details. The concept of establishment for agriculture and government differs from that used for the nonagriculture private sector.

TABLE 2
NONAGRICULTURE PRIVATE-SECTOR INDUSTRIES WITH EXCESS WAGE AND SALARY EMPLOYMENT OF AT LEAST 50*
Fountain Hills (Zip Codes 85268 and 85269), 2004

Industry	Number of Establishments	Employment	Relative to Nation		Relative to Arizona	
			Location Quotient	Excess Employment	Location Quotient	Excess Employment
Highway, street, and bridge construction	2	352	14.63	328	10.11	317
Golf courses & country clubs	2	211	9.02	188	5.03	169
Supermarkets & other grocery (except convenience) stores	3	367	1.90	174	1.83	166
Fitness & recreational sports centers	2	175	4.74	138	5.67	144
Educational support services	1	142	31.55	138	51.39	140
Land subdivision	5	113	23.01	108	17.40	107
Discount department stores	1	149	2.28	84	2.13	79
Liquefied petroleum gas (bottled gas) dealers	1	69	19.27	66	30.54	67
Diagnostic imaging centers	2	69	10.31	62	7.95	60
Painting and wall covering contractors	6	78	4.64	61	2.81	50
New single-family general contractors	28	93	2.71	58	1.90	44
Pharmacies & drug stores	3	112	1.88	52	2.34	64
Framing contractors	5	64	5.12	52	1.27	14

* Relative to either the national or Arizona average

Note: Those entries in bold with a gray background have a high proportion of sales to customers outside the region and are considered basic (export) economic activities. Those not in bold with a gray background have a moderate proportion of sales to non-residents. Other industries largely serve local residents.

Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2004*. Agricultural production employees, most government employees, railroad employees, self-employed individuals and employees of private households are not included in this data source.

In most sectors, location quotients in Fountain Hills were average or below average among the region's nine cities. Fountain Hills ranked second in government, utilities, and transportation and warehousing, but with location quotients well below 1 in the two latter sectors. Its high location quotient in accommodation and food services was less than the figures in Jerome and Sedona.

Five comparison areas were selected, independent of region. Cities and towns of similar size (between 50 percent and 150 percent of the 2004 estimated population of Fountain Hills) located nearby (within 50 miles) generally were selected. These comparison areas were supplemented as necessary with larger nearby cities and towns, smaller nearby cities and towns, and similarly sized cities and towns more than 50 miles away. The magnitude of the difference in city size, distance, and industrial mix also was considered.

Per capita employment in Fountain Hills was the fifth highest of the six cities in this comparison group, greater than in Chino Valley and the unincorporated area. Per capita nonagriculture private-sector employment in Fountain Hills was in the middle of the group, less than in Cottonwood and Williams and about the same as Parker. Though low from a state and national perspective, payroll per employee in Fountain Hills was similar to that of most of the comparison cities.

Some of the export sectors are shown in Chart 1. Fountain Hills's location quotient was in the middle (ranked third or fourth) in each of these sectors. Except in accommodation and food services, export activities are rare in this group of cities.

CHANGES IN THE ECONOMY BETWEEN 2001 AND 2004

Between 2001 and 2004, Fountain Hills's employment rose approximately 925 (21 percent). Employment per 1,000 residents also advanced, as did the location quotients relative to the national and state averages.

Fountain Hills experienced a substantial increase of 24 percent in nonfarm private-sector employment between 2001 and 2004, far greater than the Arizona average of 5 percent, the regional increase of 3 percent, and the barely positive national change. The location quotient relative to the U.S. average rose 0.09 between 2001 and 2004 in Fountain Hills, superior to the decreases in the regional and state averages.

The town's employment growth was accompanied by a small decrease in inflation-adjusted payroll per employee. The 3 percent drop was similar to the decreases in the regional, state and national figures.

In a few sectors, the location quotient rose moderately to substantially between 2001 and 2004 (see Table 4). The largest increase was in arts, entertainment and recreation, which was accompanied by a boost in the sector's excess employment. Gains in the golf courses and country clubs and fitness centers industries accounted for the sectoral increases. The construction industry also experienced gains in each measure, while the educational services (educational support services industry) and retail trade (especially the supermarkets industry) sectors did not have an increase in excess employment.

TABLE 3
FOUNTAIN HILLS' RANKS ON EMPLOYMENT PER 1,000 RESIDENTS

Rank in Central Region	TOTAL	Nonagriculture	
		Private Sector	Government
All 33 Areas	21	14	29t
27 Incorporated Cities and Towns	19	13	25t
14 Smallest Incorporated Places	10	5	13t
21 Incorporated Places in Maricopa County	16	12	20t

Notes: A rank of 1 is highest. In agriculture, Fountain Hills tied ('t') for 19th among all 33 areas.

CHART 1
LOCATION QUOTIENTS IN 2004
Selected Sectors in Fountain Hills and Comparison Cities

Source: Estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2004*. The agriculture sector was separately estimated — see Chapter I for details.

TABLE 4
2001-TO-2004 CHANGE IN WAGE AND SALARY EMPLOYMENT BY SECTOR
Fountain Hills (Zip Codes 85268 and 85269)

Sector	Number of Establishments Employment		Relative to Nation		Relative to Arizona	
			Location Quotient	Excess Employment	Location Quotient	Excess Employment
TOTAL, NONFARM PRIVATE SECTOR	41	917	0.09	0	0.11	0
Forestry, Fishing and Hunting, and Agricultural Support Services	-1	-6	-0.46	0	-0.87	0
Mining	1	2	0.05	0	0.05	0
Utilities	0	-4	-0.07	0	-0.09	0
Construction	-8	196	0.29	168	0.21	154
Manufacturing	-1	-5	0.01	0	0.02	0
Wholesale Trade	-12	-20	-0.04	0	-0.06	0
Retail Trade	10	341	0.25	0	0.25	0
Transportation and Warehousing	-1	6	0.02	0	0.02	0
Information	-5	-20	-0.07	0	-0.05	0
Finance and Insurance	2	21	0.02	0	0.03	0
Real Estate and Rental and Leasing	14	-18	-0.19	-18	-0.13	-2
Professional, Scientific and Technical Services	19	31	0.03	0	0.08	0
Management of Companies and Enterprises	0	0	0.00	0	0.00	0
Administrative, Support, Waste Management, Remediation Services	11	-85	-0.12	0	-0.11	0
Educational Services	-1	147	0.64	0	0.98	44
Health Care and Social Assistance	0	12	-0.01	0	-0.03	0
Arts, Entertainment and Recreation	1	226	1.44	213	1.16	200
Accommodation and Food Services	17	99	0.05	0	0.09	0
Other Services (except public administration)	1	-2	-0.03	0	0.01	0
Unclassified Establishments	-5	-3	-0.24	0	-0.15	0

Source: Nonagriculture private sector estimated from U.S. Department of Commerce, Census Bureau, *Zip Business Patterns 2004* and *2001*. Agricultural production employees, most government employees, railroad employees, self-employed individuals and employees of private households are not included in this data source. The agriculture and government sectors are estimated — see Chapter I for details. The concept of establishment for agriculture and government differs from that used for the nonagriculture private sector.